

**INCOMING TELEGRAM**

*Department of State*

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Action

*Classification*

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FROM: BERLIN

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TO: Secretary of State

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SENT BONN 360, DEPARTMENT 409, REPEATED INFORMATION MOSCOW 124,  
PARIS 72, LONDON 59.

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KLEIN ALSO READY FROM FEDREP FONOFF REPORT OF CONVERSATIONS  
BETWEEN FONOFF MEMBER AND MEDIUM LEVEL EMPLOYEE SOV EMBASSY  
IN WHICH RUSSIAN OFFICIAL SAID WEST WOULD MAKE GREAT NOISE  
ABOUT SUBSTITUTION SOVIET BY GDR PERSONNEL AT CHECKPOINTS BUT  
WOULD EVENTUALLY ACCEPT SITUATION. WHEN GERMAN OFFICIAL SAID  
HE THOUGHT ALLIES WOULD USE FORCE SOVIET OFFICIAL WAS VISIBLY  
IMPRESSED; HE RETURNED TO SAME SUBJECT ONCE AGAIN TOWARD  
END OF CONVERSATION AND DEMONSTRATED GREAT INTEREST IN  
GERMAN OFFICIALS' VIEWS ON THIS SUBJECT.

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C. ECONOMIC REACTION.

TEMPER BUSINESS COMMUNITY BERLIN UNEVEN WITH FOLLOWING  
THEME OBSERVED MOST PROMINENT IN PAST FEW DAYS:

1. IF WESTERN POWERS DO NOT REMAIN FIRM, ALL IS LOST.  
THIS THEME OFTEN COUPLED WITH FATALISTIC JUDGMENT THAT BERLIN  
BUSINESS COMMUNITY CANNOT INFLUENCE OUTCOME.

2. IMPENDING SOVIET MOVE TURN OVER CONTROLS GDR IS DIRECTED  
ONLY AGAINST ALLIED ACCESS TO BERLIN IN CURRENT PHASE.  
HOWEVER, IT RECOGNIZED THAT GDR CONTROL OVER ALLIED ACCESS  
SOUGHT AS MEANS BRING ABOUT RECOGNITION GDR AND FEARED THAT  
GDR WOULD EVENTUALLY USE ITS CONTROLS OVER GERMAN ACCESS  
WEST BERLIN AS POLITICAL WEAPON OBTAIN CONTROL OVER WEST  
BERLIN ITSELF.

3. CURRENT

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3. CURRENT CRISIS PRIMARILY STRATEGY OF NERVES DIRECTED PARTLY AT DESTROYING CONFIDENCE OF BUSINESSMEN AND THUS UNDERMINING WEST BERLIN ECONOMY. IT FELT THIS COMMUNIST OBJECTIVE BEST COUNTERED BY CONFIDENT "BUSINESS AS USUAL" ATTITUDE BY WEST BERLIN AND WEST GERMAN BUSINESS COMMUNITY.

4. APPRECIATION POTENTIAL PERILS IN PRESENT SITUATION AND CONSIDERATION MEASURES PROTECTION PRIVATE INTERESTS.

MISSION HAS RECEIVED SOME TELEPHONE INQUIRIES FROM BUSINESSMEN GOING TO WEST GERMANY ASKING WHETHER THEY SHOULD TAKE FAMILIES AGAINST SOME EMERGENCY. MAY BUSINESSMEN WHO GO BACK AND FORTH BETWEEN BERLIN AND WEST GERMANY BY AIR CONCERNED THAT COMMERCIAL AIR TRAFFIC WILL SUDDENLY COME UNDER GDR CONTROL.

IT ALSO APPEARS THAT COMMERCIAL RELATIONS BETWEEN WEST BERLIN AND FEDERAL REPUBLIC ARE SUFFERING BECAUSE OF NERVOUSNESS IN WEST GERMANY. MISSION CONTINUES HEAR SOME REPORTS OF CANCELLATION ORDERS FROM WEST GERMANY, FALLING OFF NEW ORDERS AND DEMANDS FOR CASH PAYMENT IN ADVANCE BEFORE SHIPMENT TO BERLIN, BUT SO FAR NO CONCLUSIVE STATISTICAL EVIDENCE. A NUMBER OF WEST BERLIN GARMENT MANUFACTURERS (#) TUESDAY, WITH STOCKS OF BERLIN COMPANIES LOSING MORE THAN THOSE OF WEST GERMAN FIRMS.

NO UNUSUAL WITHDRAWALS FROM BANKS OF TRANSFERS OF SECURITIES TO WEST GERMANY HAVE TAKEN PLACE SO FAR THIS WEEK. THERE IS STILL NO RPT NO SCARE BUYING OR HOARDING OF FOODSTUFFS. SOME HOARD BUYING OF GOLD COINS REPORTED AT HIGHER PRICES. TOURISM TO AND FROM BERLIN IS NORMAL AND THERE HAVE BEEN NO CANCELLATIONS OF CONVENTIONS AND MEETINGS.

DEPENDENCE WEST BERLIN ECONOMY ON STATE OF CONFIDENCE WEST GERMANY HIGHLIGHTED BY STATEMENT OF NATIONAL ORGANIZATION OF GERMAN CHAMBER FOR INDUSTRY AND COMMERCE (DEUTSCHER INDUSTRIE UND HANDELSTAG) REQUESTING MEMBERS TO DISPLAY CONFIDENCE IN WEST BERLIN'S FUTURE BY INCREASED ORDERS TO, AND NEW INVESTMENTS IN, WEST BERLIN. EMPHASIZED THAT NO REASONS EXIST JUSTIFYING CANCELLATION OR REDUCTION ORDERS PLACED

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PLACED IN WEST BERLIN, AND SUCH POLICY WOULD BE DETRIMENTAL TO WEST BERLIN EFFORTS FACE COMMUNIST THREATS CALMLY. SIMILAR ANNOUNCEMENT ISSUED BY ASSOCIATION OF INDEPENDENT ENTREPRENEURS IN BONN (ARBEITSGEMEINSCHAFT SELBSTSTÄNDIGER UNTERNEHMER). MISSION UNDERSTANDS THESE ANNOUNCEMENTS TAKEN ON INITIATIVE WEST GERMAN BUSINESS ASSOCIATIONS AND WEST BERLIN CHAMBER FOR INDUSTRY AND COMMERCE.

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(#) OMISSION. CORRECTION TO FOLLOW.

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